



County of Los Angeles CHIEF EXECUTIVE OFFICE

Kenneth Hahn Hall of Administration
500 West Temple Street, Room 713, Los Angeles, California 90012
(213) 974-1101
<http://ceo.lacounty.gov>

WILLIAM T FUJIOKA
Chief Executive Officer

October 30, 2012

The Honorable Board of Supervisors
County of Los Angeles
383 Kenneth Hahn Hall of Administration
500 West Temple Street
Los Angeles, CA 90012

Dear Supervisors:

**AMENDMENT NO. 1, LEASE NO. 77260
DEPARTMENT OF CHILDREN AND FAMILY SERVICES
300 EAST AVENUE K-6, LANCASTER
(FIFTH DISTRICT) (3 VOTES)**

SUBJECT

This recommendation is to amend Lease No. 77260 to expand the Department of Children and Family Services premises with the addition of approximately 35,000 rentable square feet of space, extend the term of the Lease for an additional five-year term, and commence new monthly rent upon completion and acceptance of tenant improvements by the County.

IT IS RECOMMENDED THAT THE BOARD:

1. Find that the lease amendment is categorically exempt from the provisions of the California Environmental Quality Act pursuant to Class 1 of the Environmental Document Reporting Procedures and Guidelines adopted by the Board of Supervisors on November 17, 1987, and Section 15301 of the State of California Environmental Quality Act Guidelines (Existing Facilities)
2. Approve and instruct the Chairman to sign the lease amendment with Gregory Hanes (Landlord), for the Department of Children and Family Services to add approximately 35,000 rentable square feet of space to the 11,000 rentable square feet of existing space located at 300 East Avenue K-6, Lancaster, at an annual first year base rent of \$1,076,400, plus first year payment of \$1,400,000 reimbursement for additional tenant improvements, furniture, and change order allowances via lump sum, or amortized at \$332,660 annually over a five-year period. The rental cost is funded at approximately 70 percent through Federal and State subvention and 30 percent net County cost.

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3. Authorize the Landlord and/or Director of Internal Services, at the discretion of the Chief Executive Officer to acquire telephone systems for the Department of Children and Family Services at a cost not to exceed \$1,200,000, and either all or part of the telephone, data, and low voltage systems may be paid in lump sum or financed over a 60-month term not to exceed \$243,317 per year, in addition to other tenant improvement allowances.

PURPOSE/JUSTIFICATION OF RECOMMENDED ACTION

The Department of Children and Family Services (DCFS) submitted a Space Request for expansion space that would consolidate staff into a central location to better serve clients throughout the Lancaster/northern Antelope Valley area. The lease at 1150 West Avenue J, where DCFS currently occupies 18,410 square feet (sq. ft.) of office space expires in mid July 2013. The recommended location at 300 East Avenue K-6, Lancaster allows DCFS to expand and co-locate in office space improved and occupied by DCFS in October 2010. DCFS also occupies a 2,669 rentable sq. ft. at 251 East Avenue K-6, adjacent to the recommended location, which DCFS hopes to backfill with another program.

The Lancaster DCFS office provides comprehensive and direct child protection services. The primary goal is to maintain the family unit, however, when this is not possible, the secondary goal is to reduce the timeline to permanency for children in their care and reliance on out-of-home care. DCFS Adoption Units are responsible for case management, which involves assessing the child's adoptability and finalizing a child's adoption. DCFS Revenue Enhancement units provide support to the social workers by assisting in finding placements for children who must be assigned to out-of-home care. In addition, there are smaller units that are designed to enhance direct services to children and families which include, Family Group/Team Decision Making and the Department of Mental Health/Children's Services, who provide mental health assessment for foster care children.

The lease amendment increases the size of the premises at 300 East Avenue K-6. The amendment requests: 1) an additional 35,000 square feet, which will increase the total DCFS space to 46,000 square feet, 2) extend the term of the Lease for an additional five-year term, and 3) authority to reimburse the Landlord for tenant improvements (TI) and furniture up to \$1,400,000. The establishment of a larger and centralized location in Lancaster is consistent with DCFS' long-range service plan to better serve the needs of the local population in the surrounding service area.

Implementation of Strategic Plan Goals

The Countywide Strategic Plan Goal of Operational Effectiveness (Goal 1) directs that we ensure the timely delivery of customer-oriented and efficient public service, and the Integrated Services Delivery (Goal 3), which maximizes our resources through the integration of services. In this case, we have enhanced economic and social outcomes through integrated, cost-effective, and client-centered supportive services by expanding DCFS' presence in a leased space. The lease amendment is in conformance with the Asset Management Principles as outlined in Attachment A.

FISCAL IMPACT/FINANCING

The monthly rent under the lease amendment will be a \$1.95 per square foot modified full-service wherein the County pays for its own day porter and janitorial services and the Landlord will pay for electricity consumption and monthly maintenance costs for the interior and exterior of the premises. The monthly/annual base rent remains fixed through the new eight-year term.

The first year cost to add the additional space shall not exceed \$1,076,400 in total base rent per the terms and conditions of the lease amendment. The County may lump sum or reimburse the Landlord for the reimbursable TI allowance and change orders up to \$1,400,000. If amortized, the annual payment would be \$332,660 annually.

300 EAST AVENUE K-6	LEASE NO. 77260 300 E Avenue K-6	AMENDMENT NO. 1	Changes
Area - sq. ft.	11,000 sq. ft.	35,000 sq. ft.	+35,000 sq. ft.
Term	11/15/10-11/14/2015	11/15/2015-11/14/2020 Upon board approval	Extend Lease term to 5 years through 11/14/2020
Annual Base Rent	\$262,680	\$819,000*	+\$819,000
Additional Tenant Improvements	Paid in full	\$1,400,000 or (\$332,660 annually for five years)	\$1,400,000 or (\$332,660 annually for five years)
Parking	40 spaces	200 spaces	+200 spaces
Cancellation	County may cancel any time after 48 th month upon 90 days prior written notice	County may cancel any time after 60 th month upon 90 days prior written notice	Any time after 60 th month upon 90 days written notice
Rental Adjustment	Fixed	Fixed through 11/14/2020	Fixed through 11/14/2020

*Includes \$1,225,000 of TI provided by Landlord in the Base Rent.

The total estimated cost for the telephone, data, and low voltage system enhancements will not exceed \$1,200,000. The current telephone system is upgradeable to the current Voice over Internet Protocol (VoIP) and data network systems that are sufficiently robust to allow for future voice, data, and video convergence. Should the Landlord be able to provide the aforementioned work at a cost at or below the County's cost, the recommendation herein allows for the payment of these costs to the Landlord, or at the discretion of the Chief Executive Office (CEO), all or part of these costs may be paid to the Landlord on a lump sum basis.

The project also includes funding of \$1,400,000 for the acquisition of furniture, additional TIs, and a change order allowance.

In the event of cancellation, the County would be required to reimburse the Landlord its prorated share of the base tenant improvements amortized over the remaining years of the lease at 7 percent.

FACTS AND PROVISIONS/LEGAL REQUIREMENTS

The proposed amendment will provide for approximately 46,000 rentable square feet of space and 240 parking spaces, in the buildings located at 300 East Avenue K-6, Lancaster. The lease amendment contains the following provisions.

- The amendment commences upon Board approval and ends November 14, 2020.
- The lease amendment is on a modified full-service basis, whereby the County will be responsible for all janitorial and day porter costs. The Landlord will pay for electricity consumption and monthly maintenance costs of the interior and exterior of the premises.
- Base year rent remains fixed thru the term of the Lease.
- Base TIs of \$1,225,000 are included in the base rent.
- Additional TI, furniture, and change order allowances totaling \$1,400,000 in reimbursable TI funds are available. Any amount utilized for TI will be paid back in lump sum or amortized at 7 percent annually, upon acceptance of the improvements by the County.
- The Landlord will provide 240 parking spaces which are sufficient to meet the parking needs of the department and clients.
- A cancellation provision is provided in the lease amendment which allows the County to cancel any time after the 60th month upon 90 days prior written notice.

CEO-Real Estate staff surveyed the Lancaster and surrounding area to determine the market rate of comparable sites. Based upon said survey, staff has established that the base rental range for similar property is between \$35 and \$37 per square foot per year, modified full-service, including parking and TI's. Thus, the base annual rent of \$23.40 per square foot for the base lease cost is below market rate for this area. Attachment B shows County-owned and leased facilities within the search area and none are available to house the expansion.

NEGATIVE DECLARATION/ENVIRONMENTAL IMPACT REPORT

The CEO has made an initial study of environmental factors and has concluded that this project is exempt from CEQA pursuant to Class 1 of the Environmental Document Reporting Procedures and Guidelines adopted by the Board on November 17, 1987, and Section 15301 of the State CEQA Guidelines.

IMPACT ON CURRENT SERVICES (OR PROJECTS)

There will be no disruption of services to the public as the amendment to incorporate approximately 35,000 rentable square feet of office space does not impact the space currently occupied by DCFS at each of their existing locations.

CONCLUSION

It is requested that the Executive Officer of the Board of Supervisors return four copies of the lease amendment, two certified copies of the Minute Order, and the adopted, stamped Board letter to the CEO, Real Estate Division, 222 South Hill Street, 4th Floor, Los Angeles, CA 90012.

Respectfully submitted,



WILLIAM T FUJIOKA
Chief Executive Officer

WTF:RLR:CMM
CEM:TS:ls

Attachments

c: Executive Office, Board of Supervisors
County Counsel
Auditor Controller
Children and Family Services
Internal Services

DEPARTMENT OF CHILDREN AND FAMILY SERVICES
300 EAST AVENUE K-6, LANCASTER
Asset Management Principles Compliance Form¹

1.	Occupancy		Yes	No	N/A
	A	Does lease consolidate administrative functions? ²			X
	B	Does lease co-locate with other functions to better serve clients? ² The additional office will help relieve overcrowding in the existing facilities and will provide the same services as the existing two offices.	X		
	C	Does this lease centralize business support functions? ²			X
	D	Does this lease meet the guideline of 200 sq. ft of space per person? ²	X		
2.	Capital				
	A	Is it a substantial net County cost (NCC) program? The lease cost for DCFS is 70.23 percent State and Federal funded and 29.77 percent NCC.		X	
	B	Is this a long term County program?	X		
	C	If yes to 2 A or B; is it a capital lease or an operating lease with an option to buy?		X	
	D	If no, are there any suitable County-owned facilities available? Yes, there is vacant County-owned space at 1110 W Avenue J, Lancaster.	X		
	E	If yes, why is lease being recommended over occupancy in County-owned space? The County-owned space is not habitable as it exists and the cost to rehab the space to meet the DCFS requirements is not cost-effective when compared to the proposed lease.	X		
	F	Is Building Description Report attached as Attachment B?	X		
	G	Was build-to-suit or capital project considered? The proposed space is available at a competitive rate and DCFS requested space that could be used to help alleviate overcrowding; therefore, a capital project is not under consideration at this time.		X	
3.	Portfolio Management				
	A	Did department utilize CEO Space Request Evaluation (SRE)?	X		
	B	Was the space need justified?	X		
	C	If a renewal lease, was co-location with other County departments considered?	X		
	D	Why was this program not co-located?			
		1. ____ The program clientele requires a "stand alone" facility.			
		2. ____ No suitable County occupied properties in project area.			
		3. ____ No County-owned facilities available for the project.			
		4. ____ Could not get City clearance or approval.			
		5. <u>X</u> The Program is being co-located.			
	E	Is lease a full service lease? ² Landlord would not provide Janitorial Services.		X	
	F	Has growth projection been considered in space request?	X		
	G	Has the Dept. of Public Works completed seismic review/approval? Not required, built in 2009 and meets current requirements.			X
	¹ As approved by the Board of Supervisors 11/17/98				
	² If not, why not?		Please bold any written responses.		

**SPACE SEARCH WITHIN FIVE MILES OF
1150 WEST AVENUE J, AND 251 EAST AVENUE K-6, LANCASTER
DEPARTMENT OF CHILDREN AND FAMILY SERVICES**

LACO	Name	Address	Gross SQFT	Net SQFT	Ownership	SQFT Available
A623	LANCASTER DCFS REGIONAL OFFICE	1150 W AVENUE J, LANCASTER 93534	18,410	18,410	LEASED	NONE
A667	LANCASTER DCFS REGIONAL OFFICE ANNEX	300 E AVENUE K-6, LANCASTER 93534	46,000	46,000	LEASED	35,000
A294	LANCASTER COURTHOUSE -JURY ASSEMBLY ROOM	1040 W AVENUE J, LANCASTER 93534	1,440	1,296	OWNED	NONE
A445	FIRE-LANCASTER FIRE PREVENTION SUBOFFICE	44933 N FERN AVE, LANCASTER 93534	30	30	GRATIS USE	NONE
Y247	DCSS-ANTELOPE VALLEY SENIOR CENTER	777 W JACKMAN ST, LANCASTER 93534	9,424	6,965	OWNED	NONE
Y397	PUBLIC LIBRARY-LANCASTER LIBRARY	601 W LANCASTER BLVD, LANCASTER 93534	48,721	43,850	OWNED	NONE
A623	DCFS - F.I.L.P.	1420 W AVENUE I, LANCASTER 93534	194	184	LEASED	NONE
A297	SHERIFF-LANCASTER ADMINISTRATIVE OFFICE	501 W LANCASTER BLVD, LANCASTER 93534	7,557	6,801	PERMIT	NONE
Y373	PW WWD#04-NORTH ADMINISTRATION BUILDING	419 W AVENUE J, LANCASTER 93534	4,128	3,446	OWNED	NONE
A192	PROBATION-ANTELOPE VALLEY AREA OFFICES	321 E AVENUE K-4, LANCASTER 93535	6,400	6,080	LEASED	NONE
0302	PW-SEWER MAINTENANCE NORTH YARD OFFICE	45712 N DIVISION ST, LANCASTER 93534	864	821	OWNED	NONE
A079	ASSESSOR-LANCASTER REGIONAL OFFICES	251 E AVENUE K-6, LANCASTER 93534	15,338	13,712	LEASED	NONE
A623	DCFS FILP	251 E AVENUE K-6, LANCASTER 93534	2,669	2,357	LEASED	NONE
X495	PW-WATERWORKS NORTH MAINTENANCE AREA HQ BLDG	260 E AVENUE K-8, LANCASTER 93535-4527	13,200	11,155	OWNED	NONE
X542	PW-WATERWORKS NORTH MAINT AREA OFFICE	260 E AVENUE K-8, LANCASTER 93535-4527	2,000	1,900	OWNED	NONE
A008	ANTELOPE VALLEY SERVICE CENTER- BUILDING B	335 E AVENUE K-6, LANCASTER 93534	51,000	42,592	LEASED	NONE
A433	ANTELOPE VALLEY SERVICE CENTER- BUILDING A	349 E AVENUE K-6, LANCASTER 93534	51,000	33,932	LEASED	NONE
A642	DPSS-LANCASTER GR/GROW OFFICE	335 E AVENUE K-10, LANCASTER 93535-4539	22,040	20,938	LEASED	NONE
A035	BOARD OF SUP-5TH DISTRICT FIELD OFFICE	1113 W AVENUE M-4, PALMDALE 93550	1,241	1,164	LEASED	NONE
4122	ANIMAL CONTROL #5-ADMINISTRATION	5210 W AVENUE I, LANCASTER 93536	2,237	788	OWNED	NONE
4586	LANCASTER COURTHOUSE SERVICES BLDG	1110 W AVENUE J, LANCASTER 93534	18,488	12,314	OWNED	12,314

AMENDMENT NO. 1 TO LEASE NO.77260

DEPARTMENT OF CHILDREN AND FAMILY SERVICES

300 EAST AVENUE K-6, LANCASTER

This Amendment No.1 to Lease No. 77260 ("Amendment" or "Amendment No. 1") is made and entered into this _____ day of _____, 2012 by and between Gregory Hanes hereinafter referred to as "Landlord," and COUNTY OF LOS ANGELES, a body politic and corporate, hereinafter referred to as "Tenant".

RECITALS:

WHEREAS, Landlord, Gregory Hanes and Tenant entered into Lease No. 77260 March 30, 2010 ("Lease"), pursuant to which Landlord leased to Tenant those certain premises located in a building at 300 East Avenue K-6, Los Angeles, California, ("Building") comprising approximately 11,000 rentable square feet of office space;

WHEREAS, the parties now wish to amend the Lease in certain respects.

NOW, THEREFORE, in consideration of the foregoing recitals, which are hereby deemed a contractual part hereof and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree the following amendments are effective upon the date first above written: (" Commencement Date".)

1. Paragraph 1(c) of the Lease, titled "Premises," is hereby deleted and the following inserted in substitution:

(c) Premises:

"Premises 1" shall be approximately 11,000 rentable square feet in the Building as shown on Exhibit A-1 attached hereto and incorporated herein by this reference. The parties acknowledge that Tenant currently occupies Premises 1, subject to the initial lease term, prior to the commencement date of the term provided by Amendment No. 1.

"Premises 2" shall be approximately 35,000 rentable square feet in the Buildings as shown on Exhibit A-1.

The term "Premises" as used herein shall refer to Premises 1 and Premises 2, collectively.

2. Paragraph 1(e) of the Lease, titled "Term," is hereby amended to extend the term of the lease an additional five (5) years through October 14, 2020, following the commencement date of delivery of the additional Premises 2.

3. Paragraph 1(f) of the Lease titled "Projection Commencement Date," is hereby amended to January 1, 2013.

4. Paragraph 1(h) of the lease titled "Irrevocable Expiration Date," is hereby amended to February 15, 2013.

5. Paragraph 1(i) of the Lease, titled "Rent," is hereby deleted and the following inserted in substitution:

(i) Basic Rent:

Premises 1 Base Rent shall be \$21,450 per month (which is based upon a rental rate of \$1.95 per rentable square foot), adjusted only as provided in Section 33 (d) of the Lease.

Premises 2 Base Rent shall be \$68,250.00 per month (which is based upon a rental rate of \$1.95 per rentable square foot), adjusted only as provided in Section 33 of the Lease.

6. Paragraph 1(j)) of the Lease, titled "Early Termination Notice Date," is hereby deleted and the following inserted in substitution:

1(j) 90 days prior to the "fifth" anniversary of the amended term or no sooner than October 13, 2018, or whichever occurs first.

7. Paragraph 1(k) of the Lease, titled "Rentable Square Feet in the Premises," is hereby deleted and the following inserted in substitution:

(k) Rentable Square Feet in the Premises: 46,000

8. Paragraph 1(n) of the Lease, titled "Parking Spaces," is hereby deleted and the following inserted in substitution:

(n) Parking Spaces:

Premises 1 and Premises 2 approximately 240 spaces

9. Paragraph 1.2(a) of the Lease, titled "Base Tenant Improvement Allowance," is hereby deleted and the following inserted in substitution thereof:

Improvement Allowance. Tenant shall be entitled to a one-time improvement allowance (the "Improvement Allowance ") in the amount of \$1,225,000 (i.e., \$35.00 per rentable square foot of Premises 2) for costs relating to the initial design and construction of Tenant's improvements as defined in Addendum B to Landlord's Work Letter attached hereto and incorporated herein by this reference (the "Improvements"). If Landlord exercises said right to use all or any portion of the Improvement Allowance then Landlord shall be responsible for said costs and Tenant has no obligation to repay the Improvement Allowance to Landlord,

Additional Allowance. Notwithstanding any contrary provision contained in Section 2.1.1 hereof, Tenant may elect, at any time prior to or during construction of the Tenant Improvements, pursuant to a written notice delivered to Landlord (the "Additional Allowance Notice"), to receive a one-time increase (the "Additional Allowance") of the Tenant Improvement Allowance in an amount not to exceed \$1,225,000 (i.e., \$35.00 per rentable square foot of Premises 2), in the aggregate, for costs relating to the design and construction of the Improvements, furniture, telephone installation and low voltage installation.

That portion of the Additional Tenant Improvement Allowance used to pay for the Tenant Improvement Costs will be paid to Landlord in a lump sum within 60 days of the Substantial Completion of the Tenant Improvements or Tenant may amortize any remaining amount in monthly payments over the first 60 month term, following Substantial Completion at the Tenant Improvement Amortization Rate. Tenant may at any time during the Term prepay Landlord in a lump sum for all or any portion of the Tenant Improvement Costs.. In the event that Tenant elects to utilize all or a portion of the Additional Allowance (and/or Maximum Change Order Allowance, as applicable), then (a) all references in Exhibit "B" to "Improvement Allowance" shall be deemed to include the Additional Allowance (and/or Maximum Change Order Allowance, as applicable) which Tenant elects to utilize, (b) the parties shall promptly execute a Memorandum of Tenant Improvement Allowances, which may be signed on behalf of Tenant by its Director of Real Estate or designee

Change Order Allowance. Tenant may elect, at any time during the construction of the Improvements, pursuant to a written notice delivered to Landlord (the "Maximum Change Order Notice"), to receive a one-time allowance (the "Maximum Change Order Allowance") in an amount not to exceed \$175,000, in the aggregate, for costs relating to Tenant's requested changes ("Change Orders") to the Construction Drawings (as defined hereafter) or the Improvements. Tenant is entitled to make only those changes to the Construction Drawings and the Improvements which are approved in advance, in writing by Landlord, or his designee, (and Tenant shall be responsible for any Tenant Delay resulting from any such Change Orders). The Maximum Change Order Allowance has been authorized by the Board of Supervisors of the County to be used to pay the costs of all authorized Change Orders but only the Chief Executive Office ("CEO") is authorized to approve Change Orders on behalf of Tenant and then only if the aggregate amount of such approved Change Orders does not exceed the Maximum Change Order Allowance. Each Change Order must be signed and dated by an authorized CEO official. Upon Tenant's written request, Landlord, or his designee, shall provide Tenant with (i) the specific cost of the requested change, (ii) the cumulative net total cost of all approved Change Orders, and (iii) an estimate of the construction time which will be increased or shortened if the Change Order is approved. Tenant shall be responsible for submitting all Change Order requests to the CEO for its approval.

Tenant acknowledges and agrees that the Landlord, or his designee, shall have no obligation to proceed with a Change Order until Landlord, or his designee, receives a Change Order approved by the CEO in accordance with the terms of this Section 2.1.3. Tenant may elect to pay for Change Orders (a) in a lump sum upon Substantial Completion of the Tenant Improvements, or (b) amortize the costs over 60 months at the Change Order Amortization Rate per month for each ONE THOUSAND DOLLARS (\$1,000.00) of Change Order costs.

Additional Costs That Are Not Tenant Improvement Costs.

In the event that the Building as initially constructed does not comply with current life-fire safety codes, disabled access codes (including, without limitation, the Americans with Disabilities Act, ("ADA"), and/or earthquake safety codes, and Landlord incurs increased design or construction costs that it would not have incurred had the Building been in compliance with such codes, such costs shall not be included in the calculation of Tenant Improvement Costs as defined hereafter and Tenant shall have no financial responsibility for such costs.

Any work that Landlord must undertake to cause the Premises to comply with the access requirements of the ADA or make existing building systems, including, but not limited to, electrical service and HVAC equipment, operational shall be at Landlord's sole cost and expense. Costs of upgrades to the operational heating, ventilation, and air conditioning, ("HVAC") and electrical systems shall be funded via the Tenant Improvement Allowances. Tenant Improvement Costs shall not include any costs associated with (i) asbestos abatement or compliance with the Hazardous Materials provision of the Lease, including without limitation all expenses associated with curing any "Sick Building Syndromes," as the term is commonly used. (ii) fire sprinkler system installation or upgrade, (iii) conversion of air conditioning systems to eliminate use of chlorofluorocarbon ("CFC") refrigerants that are harmful to the atmosphere, (iv) utility costs incurred during construction, (v) costs incurred in order to cause the Premises to comply with any mechanical or electrical requirements set forth in the Lease.

Disbursement of the Improvement Allowance. Except as otherwise set forth in this Landlord's Work Letter, the Improvement Allowance shall be disbursed by Landlord, or his designee, (and each disbursement shall be made pursuant to Landlord's, or his designee's, disbursement process) for costs related to the construction of the Improvements and for the following items and costs (collectively, the "Improvement Allowance Items "): (i) payment of the fees of the "Architect" and the "Engineers," as those terms are defined in Section 3.1 of this Landlord's Work Letter, and payment of the fees incurred by, and the cost of documents and materials supplied by, Landlord and Landlord's consultants in connection with the preparation and review of the "Construction Drawings," as that term is defined in Section 3.1 of this Landlord's Work Letter; (ii) the cost of permits; (iii) the cost of any changes to the Construction Drawings or Improvements required by applicable building codes (the "Code "); and (iv) the "Landlord Coordination Fee," as that term is defined in Section 4.3.1 of the Landlord's Work Letter. However, in no event shall more than Twenty and 00/100 dollars (\$20.00) per usable square foot of the Improvement Allowance be used for the aggregate cost of items described in (i) and (ii) above; any additional amount incurred as a result of (i) and (ii) above shall be deemed to constitute a Change Order Allowance Amount .

10. Paragraph 4(c) of the lease, titled "Early Termination" is hereby deleted and the following inserted in substitution thereof:

4(c) Early Termination

(a) Tenant shall have the right to terminate this lease as of the Early termination Notice Date, as defined in Section 1, by giving the landlord not less than ninety (90) days prior notice executed by the Chief Executive Officer of tenant. In the event of such termination, tenant shall pay Landlord a termination fee in an amount equal to the amount not paid by Tenant for the unamortized portion of the cost of the Base tenant Improvements at the amortized rate of 7.0% over the 8 years of the Lease term as amended, provided a finalized accounting has been provided by Landlord and reviewed and accepted by tenant.

11. Paragraph 33 of the Lease, titled "Option to Extend," is hereby deleted and the following inserted in substitution thereof

OPTION TO EXTEND

(a) Terms of Options. Provided that no material Default has occurred and is continuing under the Lease and this Amendment No. 1 at the time the option is exercised, Tenant shall have two (2) options to renew this Lease beyond the Term in this Amendment No. 1 for an additional period of sixty (60) months each (respectively, the "First Extension Term" and the "Second Extension Term", and collectively, the "Extension Term(s)").

(b) Exercise of Option. Tenant must exercise its options to extend this Lease by giving Landlord written notice of its election to do so no later than ninety (90) days prior to the end of the initial Term, or the First Extension Term, as applicable.

(c) Terms and Conditions of Extension Terms. The Extension Terms shall be on all the terms and conditions of this Lease, including the rent stated in (d) below [except that Landlord shall have no additional obligation for free rent, leasehold improvements or for any other tenant inducements for the Extension Terms]. In no event shall Landlord be responsible for payment of any brokerage fees or commissions to any broker or finder retained by Tenant or representing Tenant.

(d) Rental Rate during Extension Terms. Tenant shall pay rent during the Extension Terms as follows:

First Extension Term \$1.95 per Square foot or \$89,700.00 based on 46,000 rentable square feet

Second Extension Term \$1.99 per Square foot or \$91,540.00 based on 46,000 rentable square feet

12. Paragraph 34 of the Lease, titled "Landlord's Improvements to Premises 1" and "Landlord's Improvements to Premises 2" is hereby inserted.

Landlord's Improvements to Premises 1. . Landlord shall construct in Premises 1, at Landlord's expense, additional improvements which shall be covered by the Additional Allowance of the same type and quality (except as otherwise set forth in Amendment No. 1) as the improvements constructed by Landlord previously for Tenant in Premises 1 pursuant to the original Lease. Such additional work for the Premises 1 shall be

performed in accordance with the outline specifications in Landlord's Work Letter, which was executed concurrently with and forms part of, the Lease Amendment

Landlord's Improvements to Premises 2. Prior to tendering to Tenant possession of Premises 2, Landlord shall first construct in Premises 2, at Landlord's expense, improvements of the same type and quality (except as otherwise set forth in this Amendment No. 1) as the improvements constructed by Landlord for Tenant in Premises 1 pursuant to the original Lease (the "Premises 1 Work and premises 2 Work" respectively, and the "Premises 1 and Premises 2 Work" collectively). Said Premises 1 and Premise 2 Work shall be performed in accordance with the outline specifications in Landlord's Work Letter, which was executed concurrently with and forms part of, the Lease.

Landlord shall commence the Premises 1 and Premises 2 Work (collectively, the "Premises Work") by applying for a building permit to construct the Premises Work within 30 days after receipt from an architect of a complete set of plans, but in any event, no later than January 1, 2013, and execution of this Amendment No. 1. Landlord shall perform the Premises Work in accordance with the following provisions of the Landlord's Work Letter, which for purposes of the Premises Work, is modified and incorporated by reference herein for this transaction as follows:

(A) Within 10 days after the commencement of the Premises Work, Landlord shall advise Tenant in writing of the estimated time of completion of such work if it is beyond a four-month estimate.

(B) Rent shall continue at the current rental rate and terms for Premises 1 during the time of Premises Work to Premises 1. Rent on Premises 2 shall commence upon Substantial Completion of Premises 2, as defined hereinafter.

The Premises Work, when completed, shall meet all applicable City, County, State, and Federal building codes, regulations and ordinances required for beneficial occupancy. Any work, including construction, that Landlord must undertake to obtain the necessary jurisdictional approvals for occupancy shall be at Landlord's sole cost and expense.

(C) Completion of the Premises Work may be delayed by:

(1) Reasonable acts or omissions of Tenant or of any employees or agents of Tenant (including change orders in the work), or

(2) Any Act of God which Landlord could not have reasonably foreseen and provided for, or

(3) Any strikes, boycotts or like obstructive acts by employees or labor organizations which Landlord cannot overcome with reasonable effort and could not reasonably have foreseen and provided for, or

(4) Any war or declaration of a state of national emergency, or

(5) Unavailability of labor or materials or the imposition by government action or authority of restrictions upon the procurement of labor or materials necessary for the completion of the Premises Work.

(D) If Landlord fails to obtain the building permit for the Premises Work in a reasonable time, taking all factors into consideration, or if said work has not been substantially completed within 180 days from the estimated time of completion provided by Landlord pursuant to this Section 8(A), which period shall be extended for a reasonable time for delays enumerated in items (C) (1) through (5) of this Section 8 , then Tenant may, at its option, cancel the Lease as to Premises2 (but not the entire Lease) upon 30 days written notice to Landlord unless the Premises 2 Work is completed within such 30-day period. In the event of any such cancellation as to Premises 2, the provisions in this Amendment No. 1 regarding the Base Rent, Improvement Allowances, and Parking Spaces shall be adjusted to delete the portion of such items attributable to the cancelled space.

The Premises Work shall be deemed to have met "Substantial Completion" when the Premises Work has been completed to such a degree that Premises (collectively) can be occupied for the purpose leased (office use) as determined at the sole discretion of the Tenant, and Landlord has obtained a final or temporary certificate of occupancy, or final inspection approval. "Substantial Completion" shall not require the completion of "punch list" items, but Landlord shall diligently pursue the completion of such items.

Tenant shall provide, install and maintain, at Tenant's expense, its own telecommunications and data system for Premises 2, and Landlord shall have no obligation or expense in connection with such system.

13. Interpretations of Lease and Amendment No.1

If there are any inconsistencies, variances or differences between any provision of the Lease and a provision of this Amendment No. 1, the provisions of this Amendment No. 1 will prevail and control. The Lease, as amended, is ratified, confirmed and approved. The terms "include" and "including" are not limiting and include the concept of "including but not limited to."

14. Exhibits.

The following exhibits are attached to this Amendment No.1 and incorporated herein by this reference.

Exhibit "A" Legal Description

IN WITNESS WHEREOF, Landlord has executed this Amendment No. 1 or caused it to be executed, and the County of Los Angeles, by order of its Board of Supervisors, has caused this Amendment No. 1 to be executed on its behalf by the Chairman of said Board and attested by the Clerk thereof the day, month, and year first above written.

LANDLORD

By: Gregory Hanes

By: 

ATTESTED:

SACHI A. HAMAI
Executive Officer-Clerk
of the Board of Supervisors

By: _____
Deputy

TENANT

COUNTY OF LOS ANGELES

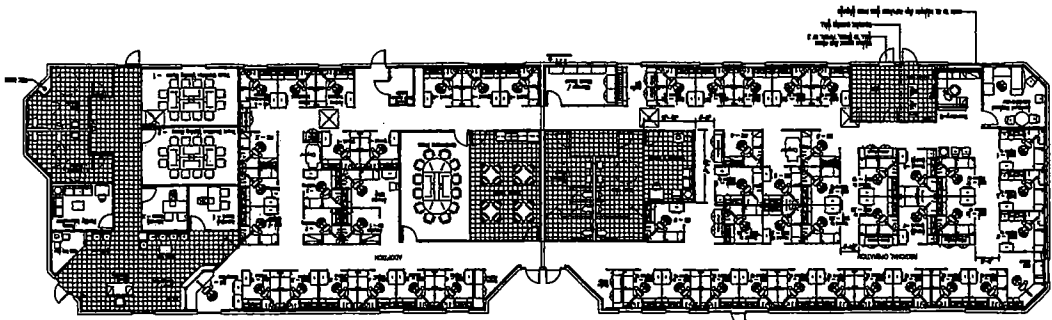
By: _____
Chairman, Board of Supervisors

APPROVED AS TO FORM:

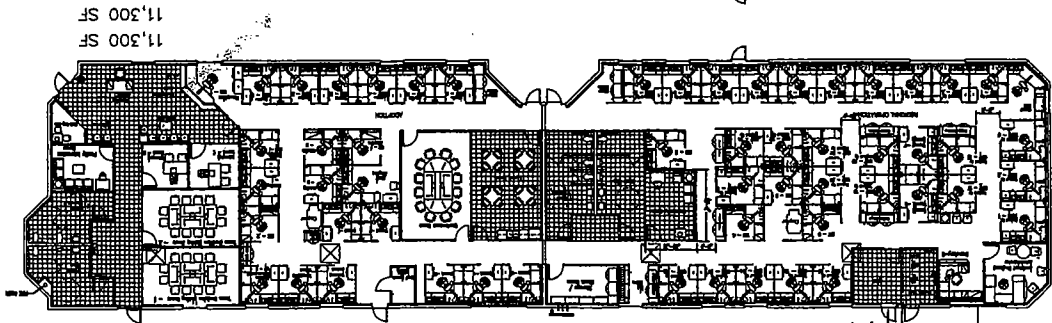
JOHN F. KRATTLI
COUNTY COUNSEL

By: 

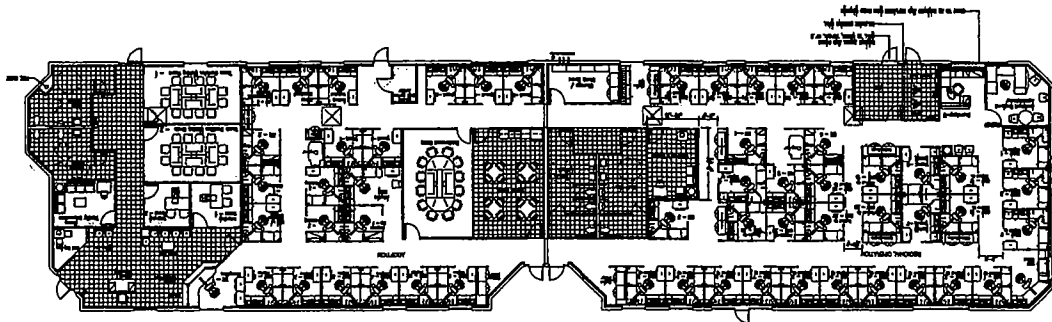
Deputy



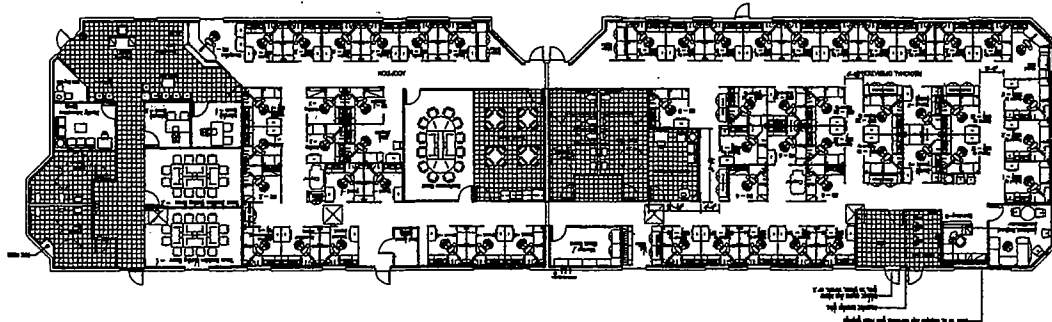
320 E K-6
11,300 SF



314 E K-6
11,300 SF



304 E K-6
11,300 SF



300 E K-6
11,300 SF

LANDLORD'S WORK LETTER

For

**COUNTY OF LOS ANGELES
CHIEF EXECUTIVE OFFICE
LEASE AND AGREEMENT**

DEPARTMENT: CHILDREN AND FAMILY SERVICES, as Tenant

LANDLORD: GREGORY HANES

330 EAST AVENUE K-6, LANCASTER

LANDLORD'S WORK LETTER

This Work Letter supplements the Lease dated _____, 20____, executed concurrently herewith, by and between Gregory Hanes as Landlord, and COUNTY OF LOS ANGELES as Tenant, ("Lease") covering certain Premises described in the Lease. Terms capitalized but not otherwise defined herein shall have the meanings ascribed to them in the Lease.

The parties hereby agree as follows:

1. Basic Work Letter Information. The following terms as used herein shall have the meanings provided in this Section unless otherwise specifically modified by provisions of this Work Letter.

(a) <u>Base Tenant Improvement Allowance</u>	\$1,225,000 (i.e., \$ 35.00 per rentable square foot of the Premises 2)
(b) <u>Additional Tenant Improvement Allowance</u>	\$1,225,000 (i.e., \$35.00 per rentable square foot of the Premises 2)
(c) <u>Maximum Change Order Allowance</u>	\$ 175,000 000 (i.e., \$5.00 per rentable square foot of the Premises 2)
(d) <u>Additional Tenant Improvement and Change Order Amortization Rate:</u>	7 percent
(e) <u>Furniture Allowance</u>	Included in Additional Tenant Improvement Allowance
(f) <u>Basic Rent Reduction per \$1,000</u>	N/A
(g) <u>Tenant's Work Letter Representative</u>	Thomas Shepos or an assigned staff person of the Chief Executive Office-Real Estate Division
(h) <u>Landlord's Work Letter Representative</u>	Gregory Hanes
(i) <u>Landlord's Address for Work Letter Notice</u>	43903 N Division Street Lancaster, CA 93535
(j) <u>Tenant's Address for Work Letter Notice</u>	Board of Supervisors Kenneth Hahn Hall of Administration Room 383 500 West Temple Street Los Angeles, California 90012 With a copy to: Chief Executive Office-

	Real Estate Division 222 South Hill Street, 3 rd Floor Los Angeles, California 90012 Attention: Director of Real Estate Fax Number: (213) 217-4971
(k) Addenda	Addendum A: Base Building Improvements Addendum B: Tenant Improvements Addendum C: Form of Budget Addendum D: Costs of Tenant Improvements

2. **Construction of the Building.**

2.1 **Base Building Improvements.** Landlord has constructed or shall construct the base Building improvements as a part of the Building described on Addendum A hereto ("Base Building Improvements"). To the extent that the Base Building Improvements must be changed or added to in order to accommodate the special needs of Tenant in the Premises, such changes or additions shall be considered Tenant Improvements (as defined below) only to the extent such changes or additions are specifically described in Addendum B hereto.

2.2 **Additional Costs Not Tenant Improvement Costs**

(a) In the event that the Building as initially constructed does not comply with current life-fire safety codes, disabled access codes (including, without limitation, the ADA), and/or earthquake safety codes, and Landlord incurs increased design or construction costs that it would not have incurred had the Building been in compliance with such codes, such costs shall not be included in the calculation of Tenant Improvement Costs as defined below and Tenant shall have no financial responsibility for such costs.

(b) Any work that Landlord must undertake to cause the Premises to comply with the access requirements of the ADA or make existing building systems, including, but not limited to, electrical service and HVAC equipment, fully operational shall be at Landlord's sole cost and expense. Tenant Improvement Costs shall not include any costs associated with (i) asbestos abatement or compliance with the Hazardous Materials provision of the Lease, including all expenses associated with curing any "Sick Building Syndromes", (ii) fire sprinkler system installation or upgrade, (iii) conversion of air conditioning systems to eliminate use of CFC refrigerants that are harmful to the atmosphere, (iv) utility costs incurred during construction, (v) costs incurred in order to cause the Premises to comply with any mechanical or electrical requirements set forth in the Lease, or (v) supervision or overhead costs of Landlord.

(c) Landlord shall be solely responsible for all costs and expenses necessary to increase permitted structural floor loading in order to accommodate Tenant's libraries, file rooms, unusual live loads and other such uses.

2.3 **Base Building Plans.** Landlord has delivered to Tenant "as built" plans and specifications for the Building in an AutoCAD 2000 format. In the event Tenant incurs additional costs because such plans and specifications are incomplete or inaccurate, such increased costs will be reimbursed to Tenant and any delay caused thereby shall not be a Tenant Delay, as defined below.

3. **Selection of Architect and Engineer.** Landlord shall promptly solicit at least three (3) proposals from qualified licensed architects ("Architect") and engineers ("Engineer") familiar with all applicable laws and building requirements detailing a scope of work sufficient to complete the Working Drawings as defined below. The Architect and the Engineer shall be selected by Landlord subject to Tenant's consent, which consent shall not be unreasonably withheld, and which consent (or refusal to consent for reasonable reasons) shall be granted within three (3) business days after Landlord has submitted the name of the Architect and the Engineer to Tenant together with detailed proposals outlining the cost for design/engineering services. This procedure shall be repeated until the Architect and the Engineer is/are finally approved by Tenant and written consent has been delivered to and received by Landlord.

4. **Selection of Contractor** The Final Plans, as defined below, and a proposed construction contract approved by Tenant, shall be submitted to contractors, selected by Landlord and approved by Tenant, sufficient in number so that a minimum of three (3) bids are received. Each approved contractor shall be requested to submit a sealed fixed price contract bid price (on such contract form as Landlord shall designate) to construct the Tenant Improvements designated on the Final Plans. Landlord and Tenant shall jointly open and review the bids. Landlord and Tenant, after adjustments for inconsistent assumptions, shall select the most qualified bidder offering the lowest price and such contractor ("Contractor") shall enter into a construction contract ("Construction Contract") with Landlord consistent with the terms of the bid to construct the Tenant Improvements.

5. **Preparation of Plans and Specifications and Construction Schedule.**

5.1 **Preparation of Space Plan.** Concurrently with the execution of this Lease, Tenant shall submit to Landlord a space plan and specifications for the Premises showing all demising walls, corridors, entrances, exits, doors, interior partitions, and the locations of all offices, conference rooms, computer rooms, mini-service kitchens, and the reception area, library, and file room ("Space Plan").

5.2 **Preparation and Approval of Working Drawings.** Within ten (10) days of the date the Space Plan is submitted to Landlord ("Plan Submission Date"), Landlord shall instruct the Architect to commence preparation of Working Drawings (the "Working Drawings"), which shall be compatible with the design, construction and equipment of the Building, comply with all applicable laws, be capable of physical measurement and construction, contain all such information as may be required for the construction of the Tenant Improvements and the preparation of the Engineering Drawings (as defined below), and contain all partition locations, plumbing locations, air conditioning system and duct work, special air conditioning requirements, reflected ceiling plans, office equipment locations, and special security systems. The Working Drawings may be submitted in one or more stages and at one or more times. Landlord shall provide Tenant the Working Drawings, or such portion as has from time to time been submitted, for review. Landlord shall be solely responsible for insuring that the Working Drawings fully comply with all applicable building codes and are free from errors or omissions on the part of the Architect.

5.3 **Preparation and Approval of Engineering Drawings.** Landlord shall cause the Architect to coordinate all engineering drawings prepared by the Engineer, showing complete mechanical, electrical, plumbing, and HVAC plans ("Engineering Drawings") to be integrated into the Working Drawings. The Engineering Drawings may be submitted in one or more stages and at one or more times for Tenant's review.

5.4 **Integration of Working Drawings and Engineering Drawings into Final Plans.** After Tenant has approved the Engineering Drawings, Landlord shall cause the Architect to integrate the approved Working Drawings with the approved Engineering Drawings (collectively, "Final Plans") and deliver five (5) sets of the Final Plans to Tenant. The Final

Plans shall be suitable for plan check review and permitting by local agencies having jurisdiction, for the layout, improvement and finish of the Premises consistent with the design and construction of the Base Building Improvements, including electrical and mechanical drawings, capacity reports, dimensioned partition plans, floor and wall finish plans, reflected ceiling plans, power, telephone communications and data plans, life safety devices, construction detail sheets including millwork detail plans showing the location of partitions, light fixtures, electrical outlets, telephone outlets, sprinklers, doors, equipment specifications (including weight specifications and cooling requirements) and power requirements (including voltage, amps, phase, and special plugs and connections), wall finishes, floor coverings, millwork and other Tenant Improvements.

5.5 Approval of Plans by Tenant. Approval by Tenant shall not be deemed to be a representation by Tenant as to the adequacy or correctness of the design of the Tenant Improvements.

5.6 Schedule. Within thirty (30) days after the Plan Submission Date, Landlord shall submit to Tenant a detailed construction schedule, subject to approval by Tenant which approval shall not be unreasonably withheld, setting forth the dates specific completion of certain project benchmarks including, but not limited to, completion of Working Drawings, completion of Engineering Drawings, submission of plans to local jurisdiction for review, issuance of building permit, submission of plans to contractors for bidding, award of construction contract, construction commencement, construction completion, Projected Commencement Date and other similar dates. As the construction continues, Landlord shall amend the schedule from time to time to reflect any changes to the projected dates.

6. Final Construction Budget and Payment of Tenant Construction Costs

6.1 Construction Budget. Within three (3) days after the Plan Submission Date, Landlord shall submit to Tenant a preliminary budget ("Preliminary Budget") in a format similar to Addendum C attached hereto. Such budget shall be revised into final form within ten (10) days from of the date the Contractor is selected and will be referred to herein as the "Final Construction Budget". Tenant shall have five (5) days from the date of receipt of the Final Construction Budget to approve or disapprove the Final Construction Budget. Construction of the Tenant Improvements shall not begin until such time as Tenant indicates its approval or disapproval of the Final Construction Budget or the five (5) day period expires without any response from Tenant. In the event Tenant disapproves the Final Construction Budget due to matters related to cost and the Final Construction Budget is ten percent (10%) or more higher in cost than was projected in the Preliminary Construction Budget, then any delay caused by the necessity to rebid or redesign the Tenant Improvements shall not be considered a Tenant Delay. Landlord shall review the Space Plan, Working Drawings, Engineering Drawings and Final Plans at its sole cost and expense. Landlord shall coordinate construction and tenant shall pay a construction coordination fee to landlord in an amount equal to three percent (3%) of the Additional Tenant Improvement Allowance plus, to the extent applicable, the maximum Change Order Allowance.

6.2 Additional Tenant Improvement Allowance. All improvements required by the Working Plans and modular furniture described in the Modular Specifications, as further described in Addendum B hereto, shall be Tenant Improvements and shall be at Landlord's sole cost and expense ("Tenant Improvements"). Costs of Tenant Improvements shall included costs for furniture, telecommunications equipment, soft costs and any other costs designated in writing by Tenant in the aggregate not to exceed the Base Tenant Improvement Allowance, the Additional Tenant Improvement Allowance and costs of Change Orders, as defined below ("Tenant Improvement Costs"). Landlord shall be solely responsible for any delay or increased cost in completing the Tenant Improvements except for delays or costs arising from Tenant Delays as defined below. It is anticipated that the Tenant Improvement Costs will exceed the

Tenant Improvement Allowance so that Tenant may authorize Landlord to pay the overage in an amount not exceeding the Additional Tenant Improvement Allowance. The amount of the Additional Tenant Improvement Allowance shall be paid to Landlord as provided herein.

6.3 Method of Payment. That portion of the Additional Tenant Improvement Allowance used to pay for the Tenant Improvement Costs will be paid to Landlord in a lump sum within 60 days of the Substantial Completion of the Tenant Improvements or Tenant may amortize any remaining amount in monthly payments over the first 60 month term, following Substantial Completion at the Tenant Improvement Amortization Rate. Tenant may at any time during the Term prepay Landlord in a lump sum for all or any portion of the Tenant Improvement Costs.

7. Construction of Tenant Improvements.

7.1 Tenant Improvements. Tenant Improvements to be constructed by Landlord are described more particularly on Addendum B hereto. If any work required by the Final Plans is not described on Addendum B hereto the work shall be performed by Landlord at its own cost and expense and not included in the cost of Tenant Improvements.

7.2 Bids. Unless waived by Tenant in writing, any major contractors, subcontractors and materials providers providing labor and/or materials for the Tenant Improvements shall be selected only after at least three (3) bids have been solicited from responsible and qualified persons. Landlord shall submit at least three (3) sealed fixed price bids for the construction of the Tenant Improvements to Tenant for its review prior to the award of the Construction Contract. The bids shall be jointly opened and reviewed. The bids shall include an itemized list of all materials and labor and shall include all additional costs, including architects and engineering fees, permits, reasonable contractor's profit and overhead, and project management fees. Three (3) bids for the purchase and installation of the office furniture system, prepared by the furniture dealer, shall be included in the construction estimates, if applicable.

(a) Permits. Landlord shall secure the approval of governmental authorities, and all permits required by governmental authorities having jurisdiction over such approvals and permits for the Tenant Improvements, promptly after approval of the Final Plans.

(b) Commencement of Construction. Landlord shall commence construction of the Tenant Improvements within fifteen (15) days after issuance of all such necessary permits. Landlord shall commence and, once commenced, shall thereafter diligently proceed to construct and complete all Tenant Improvements, subject to any cessation that may be caused by Force Majeure Delays.

7.3 Construction. Construction of the Tenant Improvements will be subject to the following terms and conditions:

(a) Notice of Nonresponsibility. Landlord and the Contractor shall cooperate with Tenant in posting a notice or notices of nonresponsibility by Tenant.

(b) Decorating Decisions. All design and programming, space planning and interior decorating services, such as selection of wall paint colors and/or wall coverings, furniture, fixtures, carpeting and any or all other decorator selection efforts required by Tenant, shall be provided by Landlord at Landlord's expense in accordance with Tenant's Space Plan. Landlord shall consult with Tenant with respect to all such decorating services and decisions.

(c) Clean-Up and Substandard Work. Landlord will be responsible for all clean-up with respect to the Tenant Improvements, whether in the Premises themselves or in other areas utilized by Landlord or its contractors, and agrees to reimburse Tenant for any and all

expenses incurred by Tenant by reason of substandard work performed by Landlord's contractor or contractors (as reasonably determined by Tenant according to the usual standards of work in the Building) or as a result of inadequate clean-up.

(d) Compliance with Laws. Construction of the Tenant Improvements shall comply with all applicable laws and regulations and shall be subject to the general inspection of Tenant. The Premises shall comply with all applicable city, county, state and federal building codes, regulations and ordinances required for beneficial occupancy, including, but not limited to, all provisions of the Labor Code of the State of California. Under the provisions of the Labor Code, the State Department of Industrial Relations will ascertain the prevailing hourly rate in dollars and details pertinent thereto for each craft, classification or type of workman or mechanic needed for the construction of the improvements. Particulars of the current Prevailing Wage Scale, as approved by the Board of Supervisors which are applicable to the work, are filed with the Clerk of the Board of Supervisors and must be posted at the site.

7.4 Conformed Plans. Within sixty (60) days after Substantial Completion of the Tenant Improvements and receipt from the Contractor of all field changes, Landlord shall submit to Tenant a set of conformed plans ("as-builts") incorporating, in accordance with standard industry custom and practice, field changes made and changes and/or revisions that have been made subsequent to the submission of the Final Plans. Such "as-built" or "record documents" shall be submitted on three and one-half inch (3½") 1.4Mb magnetic media diskettes in Auto CAD R 12.dwg (or later version) format or .DXF format, along with one complete set of mylar transparencies of drawings and one complete set of specifications.

8. Change Orders. Tenant and Landlord may make changes, additions, deletions or alterations in the Final Plans ("Change Order") provided both Tenant and Landlord approve such changes in writing. The amount of the Maximum Change Order Allowance set forth in Section 1 has been authorized by the Board of Supervisors of the County to be used to pay the costs of all authorized Change Orders but only the Chief Executive Officer is authorized to approve Change Orders on behalf of Tenant and then only if the aggregate amount of such approved Change Orders does not exceed the Maximum Change Order Allowance. Tenant may elect to pay for Change Orders (a) in a lump sum upon Substantial Completion of the Tenant Improvements, or (b) amortize the costs over the term of the Lease at the Change Order Amortization Rate per month for each ONE THOUSAND DOLLARS (\$1,000.00) of Change Order costs. Landlord shall submit to the Chief Executive Officer with each requested Change Order (i) the specific cost of the requested change, (ii) the cumulative net total cost of all Change Orders previously approved, and (iii) an estimate of the construction time which will be increased or shortened if the Change Order is approved. Each Change Order must be signed and dated by the Chief Executive Officer.

9. Furniture System

9.1 Tenant shall deliver to Landlord within ten (10) days after execution hereof, modular furniture plans and specifications ("Modular Specifications"). Based on the Modular Specifications, Landlord and /or Landlord's architect, shall prepare a modular furniture specifications bid package for submission to no less than three (3) furniture vendors. Prior to submission for bids, Landlord shall review the bid package with Tenant and Tenant shall have the right to approve or disapprove the bid package. Landlord shall provide at its cost the modular furniture set forth in the Modular Specifications and shall not be responsible for the cost of such modular furniture in excess of the Furniture Allowance. Tenant shall reimburse the Landlord in a lump sum within sixty days after the Commencement Date, provided a finalized accounting of all Tenant Improvements have been provided by landlord and reviewed by the County.

9.2 Tenant may opt to finance the lump-sum payment for the cost of modular furniture through lease-purchase financing with a third-party Vendor (Creditor"). In the event the Tenant elects to enter into a lease-purchase financing of the furniture and telecommunications equipment ("Personal Property") through a Creditor, Landlord expressly agrees as follows:

(a) The Personal Property shall not become part of the realty or real property, but shall remain personal property removable by the Creditor and its assigns, provided that any damage occasioned by such removal shall be repaired by Creditor.

(b) Landlord shall be notified by Creditor of any plan by Creditor to remove the Personal Property.

(c) This section shall be binding on the representatives, successors and assigns of all parties hereto and shall inure to the benefit of the successors-in-interest to all parties hereto.

(d) Landlord does hereby waive any right to gain possession of any of Personal Property during the term of this Lease.

10. **Tenant Improvement Costs Adjustment and Right to Audit.** Within five (5) days of the issuance of a Certificate of Occupancy, or a final sign-off by the City of Los Angeles, which ever occurs first, Landlord shall provide to Tenant a statement showing in reasonable detail all Tenant Improvement Costs and the total amount payable hereunder by Tenant to Landlord. Upon approval of the statement by Tenant, payments by either party pursuant to the Lease and this Landlord's Work Letter shall be adjusted a appropriate, based upon such statement. Tenant shall have the right to audit these costs for a period of twenty-four (24) months from the date of acceptance by Tenant of the Premises. In the event the audit shows that Tenant is entitled to a reduction in payments to the Landlord under this Landlord's Work Letter, Tenant shall provide Landlord with a copy of the audit summary and Landlord shall pay Tenant the amount of any over-payment made by Tenant within thirty (30) days and future payments shall be adjusted as appropriate based upon the audit results.

11. **Exclusions.** The Tenant Improvement cost shall not include any costs incurred for asbestos abatement, fire sprinkler system, or conversion of air conditioning systems to eliminate use of CFC refrigerants that are harmful to the atmosphere. All work for required asbestos abatement, fire sprinkler system, or air conditioning system conversion shall be performed at the sole cost and expense of Landlord.

12. **Telephone/Computer Room and Equipment.** Landlord shall complete the telephone equipment room(s) including permanent power and HVAC, in compliance with the Space Plan and specifications provided by Tenant, at least thirty (30) days prior to the Projected Commencement Date. During this thirty (30) day period, the Landlord shall be responsible for any telephone/data equipment delivered to the site for programming prior to the Projected Commencement Date.

13. **Delay.**

13.1. **Tenant Delays and Force Majeure Delays.** Except as set forth herein, no delay in the completion of construction of the Tenant Improvements shall be considered in the determination of the Commencement Date of the Lease and, except as set forth herein or in the Lease, under no circumstance shall Tenant be charged with any delay whatsoever as a result of delay in the construction of Tenant Improvements. Subject to the provisions of Section 13.2, the Projected Commencement Date set forth in the Lease shall be extended one (1) day for each day that: (i) Tenant fails or refuses to give authorizations or approvals within the time periods required herein but only to the extent such delays delay the commencement or completion of construction of the Tenant Improvements (referred to herein as "Tenant Delay(s)"); or (ii) Substantial Completion of the Tenant Improvements is delayed by lightning, earthquake, fire, storm, tornado, flood, washout, explosion, strike, lockout, labor disturbance, civil disturbance, riot, war, act of a public enemy, sabotage or other similar causes beyond the reasonable control of Landlord (referred to herein as "Force Majeure Delay(s)").

13.2. **Limitations.**

(a) **Notice.** No Tenant Delay or Force Majeure Delay shall be deemed to have occurred unless Landlord has provided written notice, within forty eight (48) hours of the event giving rise to such claim, in compliance with the Lease, to Tenant specifying that a delay is claimed to have occurred because of actions, inaction or circumstances specified in the notice in reasonable detail. If such actions, inaction or circumstances qualify as a Tenant Delay or Force Majeure Delay, then a Tenant Delay or Force Majeure Delay, as applicable, shall be deemed to have occurred only commencing as of the date Tenant received such notice from Landlord.

(b) **Mitigation.** Tenant Delays and Force Majeure Delays shall delay the Projected Commencement Date only in the event that Substantial Completion of the Tenant Improvements is delayed, despite Landlord's reasonable efforts to adapt and compensate for such delays, which efforts Landlord shall be obligated to make (provided such additional cost incurred by Landlord due to such effort does not exceed \$1,000 on a cumulative basis, unless Tenant agrees to pay to such excess).

(c) **Concurrent Delays.** Tenant Delays and Force Majeure Delays shall be recognized hereunder only to the extent the same are not concurrent with any other Tenant Delay or Force Majeure Delay which is effective hereunder. For example, if there are ten (10) days of Tenant Delays and four (4) days of Force Majeure Delays which occur during the same ten (10) day period of such Tenant Delays, then the Projected Commencement Date would be extended by only ten (10) days; on the other hand, if such Tenant Delays and Force Majeure Delays did not occur during the same period, the Projected Commencement Date would be extended by fourteen (14) days.

(d) **Change Orders.** Landlord may not claim that a Change Order requested by Tenant was the cause of a delay in the construction of the Tenant Improvements unless the anticipated delay is specified in writing in the Change Order authorization.

14. **Tenant Remedies.** If Landlord fails to obtain the building permit to construct the Tenant Improvements within a reasonable time, taking all factors into consideration, or if Tenant Improvements have not been completed within sixty (60) days from the Projected Commencement Date, Tenant may, at its option:

14.1. Cancel the Lease upon thirty (30) days written notice to Landlord; or

14.2. Upon thirty (30) days written notice to Landlord, assume the responsibility for providing the Tenant Improvements itself. If Tenant elects to provide tenant improvements itself, then:

(a). Tenant, its officers, employees, agents, contractors and assignees, shall have free access to the Premises and the Building at all reasonable times for the purpose of constructing the Tenant Improvements and for any other purposes reasonably related thereto; and

(b). Rent shall be reduced by Tenant's total expense in constructing the Tenant Improvements, including any financing charges for capital and a reasonable amount for its administrative costs, and including interest at the rate of six percent (6%) ("Tenant's Total Expense"). The rent reduction schedule shall be as mutually agreed to between the parties or, if no such agreement is made, Tenant's Total Expense shall be fully amortized in equal monthly amounts over five (5) years and deducted from the rent payable hereunder.

Any default by Landlord under the terms of this Landlord's Work Letter shall constitute a default under the Lease and shall entitle Tenant to exercise all remedies set forth in the Lease.

15. **Representatives.**

(a) **Tenant Representative.** Tenant has designated Tenant's Work Letter Representative as its sole representative with respect to the matters set forth in this Landlord's Work Letter who, until further notice to Landlord, shall have the full authority and responsibility to act on behalf of Tenant as required in this Work Letter and whose address, for purposes of any notices to be given regarding matters pertaining to this Landlord's Work Letter only, is Tenant's Address for Work Letter Notice as set forth in Section 1.

(b) **Landlord Representative.** Landlord has designated Landlord's Work Letter Representative as its sole representative with respect to the matters set forth in this Work Letter who, until further notice to Tenant, shall have the full authority and responsibility to act on behalf of Landlord as required in this Landlord's Work Letter and whose address, for purposes of any notices to be given regarding matters pertaining to this Landlord's Work Letter only, is Landlord's Address for Work Letter Notice as set forth in Section 1.

16. **Construction Meetings.** During the course of construction, meetings shall be held between the Contractor, Landlord and Tenant at least once per week, unless Tenant directs otherwise, at a time and place which is mutually convenient. An initial construction meeting shall be held within five (5) days of the date the Contractor is selected.

17. **Delivery.** Delivery of all plans and drawings referred to in this Work Letter shall be by commercial messenger service or personal hand delivery, unless otherwise agreed by Landlord and Tenant.

LANDLORD:

a _____

By: _____
Name: _____
Title: _____
Date Signed: _____

TENANT:

COUNTY OF LOS ANGELES,
a body politic and corporate

By: _____
Name: _____
Title: _____
Date Signed: _____

ADDENDUM A To Landlord's Work Letter

BASE BUILDING IMPROVEMENTS

Landlord has constructed (or will construct) the Building to include the following:

- (a) the Building shell and exterior, including perimeter window frames, mullions and glazing in good condition;
- (b) the core area, including mechanical, electrical, sprinkler, plumbing, life safety, heating, air conditioning, ventilation and structural systems within the Building core, stubbed out to the face of the core wall at locations determined by Landlord;
- (c) men's and women's toilet rooms, including necessary plumbing fixtures, ceramic tile floors, accessories, ceilings and lighting, with running hot and cold water;
- (d) unpainted exterior dry wall or lath and plaster covering the exposed side of all exposed core walls, core and perimeter columns and the interior exposed side of all exterior building wall areas except at and under windows;
- (e) public stairways;
- (f) passenger and freight elevators;
- (g) parking facilities;
- (h) ground floor lobby;
- (i) finished elevator lobbies (with carpet, lights, finished walls and ceiling);
- (j) exterior plazas and landscaping;
- (k) loading dock and/or area;
- (l) drinking fountains at the core;
- (m) electrical/telephone closet with not less than seven (7) watts per square foot of rentable area of normal power in the floor electrical closet;
- (n) conduit access sufficient for Tenant's electrical wiring (no additional improvement to increase conduit access will be furnished by Landlord unless there is not sufficient riser space as required for a 1.5" diameter signal cable from the Building main telecommunication vault to the telephone closets on floor, in which case Landlord, at no cost to Tenant and without deduction from the Tenant Improvement Allowance, shall cause such riser space to be made available to Tenant, and provided further that Tenant shall be responsible for the cost for removing the riser floor seal at each floor and the patching of each seal after installation of Tenant's cable);
- (o) two (2) 208/120 and one (1) 480/277 bolt panels connected to the Building power system;
- (p) mechanical equipment room with ducted mechanical exhaust system;
- (q) concrete floors with trowelled finish, level to specified tolerances and designed to support a minimum live load of fifty (50) pounds per square foot and a partition load of twenty (20) pounds per square foot;

(r) standard window coverings;

(s) primary HVAC duct for cooling and primary HVAC duct for heating (heating is for perimeter zone only) to loop from the mechanical equipment room around the building core;

(t) hot and cold air loops located within the Premises;

(u) primary fire sprinkler distribution, including secondary piping and sprinkler heads as required for the unoccupied Premises;

(v) primary fire-life safety enunciation system "backbone" and panels suitable for Tenant's secondary distribution;

(w) access at panels in the service core for distribution of Building requirements electrical power (initially 120/208 V for power and 277V for fluorescent lighting) up to the limits permitted under applicable law at the time the Building receives the initial temporary certificate of occupancy for the Building; and

(x) gypsum board on the service core walls, columns and sills in the Premises.

ADDENDUM B To Landlord's Work Letter
TENANT IMPROVEMENTS INCLUDED IN BASE TENANT
IMPROVEMENT ALLOWANCE

Tenant improvements shall include: See Attached Specification Sheets

- (a) Tenant ceilings and lighting;
- (b) Floor finish in the Premises (except elevator lobbies and public corridors on multi-tenant floors and toilet rooms);
- (c) Interior finishes of any kind within the Premises (except elevator lobbies and public corridors on multi-tenant floors and core area toilet rooms);
- (d) Interior partitions, doors and hardware within the Premises;
- (e) Terminal boxes and reheat coils or other HVAC or air distribution devices to or within the Premises;
- (f) Soft costs
- (g) Distribution of electrical services, plumbing services and sprinklers from the core to the Premises, and domestic hot water heater and associated hot water piping;
- (h) Any and all required signs for Tenant and the power therefor;
- (i) Security, fire and life-safety systems throughout the Premises, including exit signs, intercoms and extinguishers;
- (j) Fiber optic access.

ADDENDUM B-1 To Landlord's Work Letter
ADDITIONAL TENANT IMPROVEMENTS REIMBURSED
BY ADDITIONAL TENANT IMPROVEMENT ALLOWANCE

- (a) Tenant designed exterior connections between buildings
- (b) additional exterior doors and windows
- (b) Above standard Floor finishes in the Premises
- (c) above standard electrical in MCR and telephone rooms
- (d) Redundant Air within MCR and Telephone Closets or for after hours use within Premises
- (e) Connection of Telephone, Data and Low Voltage between buildings
- (f) Over Standard Soft Costs
- (g) Distribution of electrical services to connect furniture from wall/ceiling box.
- (h) Any and all signs for Tenant and the power therefor;
- (j) Additional and/or above standard electrical capacity, including additional transformers beyond standard used in Premises 1; and
- (k) Fiber optic access between buildings.

ADDENDUM C To Landlord's Work Letter
FORM OF BUDGET

ADDENDUM D To Landlord's Work Letter
COSTS OF TENANT IMPROVEMENTS